SECRET

CONFIDENTIAL

1 MAY 1961

MEMORANDUM FOR: Deputy Director (Support)

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SUBJECT : Purchase of New Property by [redacted] Station Instead of Utilizing Property in Stock

1. Reference is made to your informal request regarding the above subject which arose in connection with your recent Far East trip.

2. It is understood that in discussing the mechanics of property transfers, you were given the impression that property transferred from one station to another resulted in the acquiring station having to "pay for" the property it received from the issuing station, and further, that the term "pay for" meant the actual transfer between stations of (1) cash covering an outright sale or (2) allotments of funds. This is erroneous, as under FPA procedures transfers of property between stations do not require a transfer of cash or allotments but only require a transfer of property accountability between the two stations at the carrying value of the property as recorded on the books of the issuing station. This is nothing more than the relocation of Agency assets at the same dollar amount.

3. When property is transferred, the receiving station records the property acquisition in its FPA system and in the case of a Type I Installation, such as [redacted] procedures are in effect whereby issues from stock to the "end user" are either written off to cost against an operational certificate or written off to cost as "property in use", with a charge being made against the available balance of the station's requisitioning authorization. The same effect occurs from the viewpoint of cost charges and charges against station requisitioning authorizations for property issued regardless of whether acquired by a station by outright purchase or acquired by transfer from other stations. Accordingly, FPA procedures do not create a barrier to utilization of acceptable property held in stock.

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4. The specific difficulty in the subject case may have resulted from the unwillingness of the [redacted] Station to accept the transfer of used furniture from the stock of another station under the Agency's current inventory pricing policy, which does not recognize reductions in actual value because of use or obsolescence, because its property requisitioning authorization and cost would be charged approximately the same amounts for used furniture accepted under transfer from [redacted] as would be charged for new furniture purchased outright.

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5. This Office and the Office of Logistics have long recognized that the present pricing policy has disadvantages but from a practicable standpoint the adoption of more realistic policy which would provide varying prices for individual line items depending on use, wear and tear, obsolescence, etc., has not been deemed justified because of the substantial workload impact which would be created in its implementation and maintenance. The present policy in substance involves the maintenance of prices based upon replacement costs during the entire period property is held in stock or in use. This system has validity at least by providing charges to components' requisitioning authorities for property issued to them in amounts sufficient to permit replenishment of stocks. Procedures are available to permit issues of property items determined surplus to Agency needs, which therefore do not need to be replaced, without charge to requisitioning authorizations.

6. There are many ramifications in the over-all question of inventory pricing. This Office, jointly with the Office of Logistics, will restudy this question to determine whether the Agency should attempt to reduce the carrying value of property due to usage or obsolescence, giving consideration to the manpower and workload involved at headquarters and the various field stations involved.

[redacted]

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E. R. SAUNDERS
Comptroller

CONCUR:

Director of Logistics

Date

Distribution:
4 - Addressee
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TAS/[redacted]gmt (28 April 1961)